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SUBJECT: DEAD SEA COSMETICS AND SKINCARE INDUSTRY FRAUD

¶1. SUMMARY: In the past few years, sales of Dead Sea cosmetics and skincare products at kiosks in shopping malls across America has grown into a huge industry. A lesser-known, but problematic, aspect of the Dead Sea industry is that its personnel is comprised of many young Israelis working on tourist visas, on expired temporary work visas and on training visas. Visa issues are likely to be just the tip of the Dead Sea industry's tax and labor issues iceberg, which has attracted Department of Homeland Security (DHS) and Department of Labor (DOL) investigators' attention in a number of U.S. jurisdictions.

¶2. SUMMARY CONTINUED: Tel Aviv, which issues the majority of these Israelis' visas, is working closely with ICE Rome and various U.S.-based DHS investigators to uncover the extent of Dead Sea fraud and associated criminal activity. Each investigation holds a piece of the larger puzzle, which Tel Aviv believes can best be pieced together through close, inter-agency collaboration. To date, Tel Aviv has implemented a variety of actions to help combat and prevent this type of fraud. In the interest of updating investigators or others who may encounter Dead Sea fraud, this lengthy cable summarizes many of Tel Aviv's actions, delineates this fraud's inherently nebulous nature and highlights current Dead Sea fraud trends. END SUMMARY.

Background on the Dead Sea Industry

¶3. Sales of Dead Sea cosmetic and skin care products form a billion-dollar industry in the United States. This industry is based upon the Dead Sea products' unique key ingredients-mud and minerals from the Dead Sea. Tel Aviv's Dead Sea fraud began in a low-key fashion several years ago and escalated with its 715% increase in H2B visas processed over the past three fiscal years. Tel Aviv handled 204 H2Bs in FY 2006; 1,077 in FY 2007 (a 428% increase); and 1,662 in FY 2008 (a 54 % increase). The fraud appears to have spread from the H2B and H3 categories into the B1/B2, J, L and E categories, and if our increased knowledge leads to a higher refusal rate on the visa line, it could potentially affect Israel's keen wish to join the Visa Waiver Program.

¶4. For some time, Tel Aviv's line officers and CBP officers have been deceived by young Israelis, generally newly released military (IDF) draftees, who end up selling Dead Sea products at kiosks in shopping malls across the United States in contravention of their issued visa category or beyond their permitted duration of stay. Complicating things for both Tel Aviv and CBP is that Israelis usually return from abroad after their U.S. stay. Hence, Tel Aviv's focus has shifted to another consideration within 214b: being satisfied that the applicant will lawfully engage in activities consistent with the requested NIV status.

¶5. One of several Dead Sea fraud's modus operandi: Israelis in their early 20's who have just finished their compulsory IDF service come to the Embassy to apply for B1/B2 visas, indicating to the interviewing officer that they intend to visit family and/or friends in the United States as part of Israel's entrenched rite of passage: a year traveling around the world. Knowing that these particular

Israelis eventually return, the officers generally decide to issue them B1/B2s. Unbeknownst to the officers, these Israelis had been well-coached for their interview. After obtaining their visa, they then obtain/purchase documents for B1 in lieu of H3 status for "training" in the Dead Sea industry and submit them to CBP at the POE. Secondary investigations revealed that their true intent was to earn lots of money quickly by selling Dead Sea products at mall kiosks. The financial incentive is great; post-IDF salaries are low and jobs scarce-hence their "need" to find a way to quickly finance their university education and/or onward travels. The fact that working and receiving a U.S. salary is illegal on B1/B2s really does not bother them. From their perspective, "not many Israelis are caught."

¶6. For Tel Aviv's newly arrived Fraud Prevention Manager (FPM), the Dead Sea fraud case began with a pile of H2B substitution letters. As she reviewed a huge stack of letters to glean information about companies selling Dead Sea products at kiosks in shopping malls across the United States and employing young Israelis looking to make a quick buck in a short period of time, she decided to gather the companies' contact information and organize it in an Excel spreadsheet in order to see which patterns emerged. After the Dead Sea worksheet's creation, she followed the initial data mining exercise with a far more extensive CCD search on the companies' names, U.S. contacts, U.S. phone numbers, etc. The numbers of H2B applicants from each company were also noted.

¶7. The FPM operated on the detective-like assumption that all relevant new information could potentially yield other avenues of information. In other words, the data mining process is not unlike the ability of a single yarn to unravel a knit sweater; pull on it and more yarn follows. To illustrate: a CCD search on a U.S. phone number, A, brought up all NIV cases associated with that phone number. Clicking on the Excel button would put all the search's results into a spreadsheet, with easily sortable data, such as names of U.S. contacts for these cases, company names associated with this phone number, other U.S. contact phone numbers, etc. After analyzing the data, the clearly Dead-Sea connected results would be added to the file and the FPM would do further CCD searches with the newly acquired information. In sum: A would lead to B and B would lead to C, and so on down the alphabet-all relevant data were pursued to the end of their individual chains in order to obtain the largest "picture" possible as well as additional, useful insights.

¶8. Israeli workers in the Dead Sea industry have caught the media's attention. A Wall Street Journal article, published December 3, 2008, "Shalom, Christmas Shoppers: Israelis Sell Cosmetics, Toys at the Mall" <http://online.wsj.com/article/SB122826483720274329.html> explains how "shoppers are being besieged by a determined crop of salespeople: young Israelis who man mobile carts and have a no-holds-barred selling style" as well as the strong economic appeal these sales jobs have for Israelis. One of the Israelis interviewed for the WSJ article worked while in B1/B2 status. A more cross-cultural perspective is provided in "Slinging Mud," a June 12, 2008 Jerusalem Post article; another illegal worker is interviewed at <http://www.jpost.com/servlet/Satellite?cid=1212659713050&pagename=JPost%2FJPArticle%2FPrinter> (readers must join the link to access article).

Recruitment of Dead Sea Workers in Israel

¶9. Israelis have a vast array of sources for learning about what they think are potentially lucrative, short-term jobs in the United States. Word of mouth is especially compelling; they hear from friends and family members who had good experiences selling Dead Sea products and decide to do the same thing. Another primary recruiter is the Web. Sites such as http://www.maka.co.il/show_jobs_list.asp?f_id=7 and http://www.jobsource.co.il/usa_jobs.php lure Israeli workers by promoting the possibility of salaries as big as USD 1,500 - 3,000 per week and other positive aspects of jobs selling Dead Sea products in the United States. You Tube videos, newspaper ads and visa vendors (some of whom are lawyers) are other key recruitment sources. As mentioned above, there have been problems with some recruiters because they are coaching Israelis for their visa interviews and advising them how to complete visa application forms.

One such recruiter instructed successful Israeli applicants to avoid flying into Atlanta as that POE "will turn you around." In addition to advertising for Israelis, large numbers of Israeli-Americans and Israelis with VWP-country passports also have been recruited.

Dead Sea Companies' Generic Structure

¶10. There are bona fide Dead Sea companies in this segment of the cosmetic, skin-care industry; however, their legitimacy has been tainted by egregious abuses committed by other corporations. These companies, many of which are LLCs, generally promise Israelis a commission percentage from their sales, and offer discounted housing and assistance with plane tickets. However, some companies have been abusing U.S. labor laws and evading U.S. taxes in addition to engaging in marriage fraud to keep their key officers in the United States. A key player in the industry has a holding company that has more than 50 companies connected to it--shell companies are not unlikely.

¶11. With the huge amounts of cash the industry generates, money laundering could well be part of the scene. There is evidence of money transport: last fall, an Israeli was stopped at a mid-western airport for failing to declare the USD 23,000 s/he was carrying back to Israel. This February, Customs agents caught the parents of a kiosk owner/worker at an East Coast airport with USD 17,000 they were bringing back to Israel; they had declared only USD 7,000. Right now, there seem to be at least two distinct Dead Sea entities involved in fraudulent activities. Aside from the United States and Canada, one of the larger Dead Sea companies has a presence in Europe, Australia and New Zealand.

¶12. The "Brand Name Dead Sea" companies' general structure: the "parent" company (i.e. the Brand Name Dead Sea) purchases kiosks at malls (e.g. Westfield) across the United States. The "parent" company then sublets this contract out to a specific kiosk manager. The control of this kiosk manager is locked in through a person from the "parent" company who holds a "Regional Manager" position. At this point the "parent" company operates Web sites which "rent" out Israeli employees to the individual kiosk managers. The "parent" company is listed as the employer for all legal forms and applications for the workers although, in fact, this "parent" company has no idea who has been hired. The kiosk managers then assume responsibility for securing and providing housing and transportation for each employee. The kiosk managers often charge each kiosk employee about USD 400-500 per month for housing, which perpetuates a system of earning cash-based profit while also creating debt bondage for the employers.

¶13. Of note: like money laundering, executive owners of these "parent" companies create a series of additional bona fide and legitimate managerial layers between themselves and the actual, illegal kiosk worker. Thus, it has been extremely difficult for investigators working to combat Dead Sea fraud to move beyond simply denying entry to young Israelis and make long-term progress towards shutting down the "root operations."

Negatives Experienced by Israeli Workers

¶14. In some instances, passports are held by the employer. An Israeli on an H2B said his/her employment at a kiosk was "sketchy" and that s/he did not receive a wage unless they were selling. Though Israelis may be in the United States legally on the right temporary work visas, there could be fraudulent/incorrect labor certificates. A company had jobs advertised as paying \$7.50 an hour plus commission; when the paperwork was filed, every worker was paid exactly the same amount, raising suspicions and implying that they were being paid in cash and off the books. Some companies have used financial shenanigans to create the appearance that all their workers were being paid minimum wages. Some Israelis have complained about the long hours they needed to work each day (e.g. 12 hour shifts), and the resulting inadequate pay, which did not fulfill their recruitment promises. Tel Aviv has found more Israelis willing to share their negative experiences-one was arrested and jailed in a cell with a murderer for several days.

Key Characteristics of Dead Sea Fraud

¶15. B1/B2: Israelis tell their interviewing officer that they are going to the USA for tourism, or to visit family and friends when they intend to work at the kiosks. Previously refused B1/B2ers have had the chutzpah to return to our NIV windows for H2Bs two days later. B1/B2ers have been known to overstay and/or attempt to change status several times while in the United States.

H2B/J1 SWT: Taxes, personal and corporate, owed are not paid. Labor violations exist. After receiving a J1 visa, some Israelis search online for kiosk jobs and then stay in the United States post-SWT program to work; to do so, they have had lawyers apply for their change of status. Tel Aviv is aware of cases in which the status requested was B1.

H3 and the J1 18 month program: "Training," which in reality has Israelis selling Dead Sea products. An Israeli thinks that s/he is going for legitimate training in the U.S. market-yet, s/he is unaware that the 'training' is to be just kiosk work. Hence, there is reason to believe that some recruiters have been lying to and/or exploiting Israelis.

E and L: Qualifying Israelis fresh out of the army as "managers," when in reality they will only be selling Dead Sea products. Companies have drafted false contract wages for their E1 applicants--to satisfy Tel Aviv.

Who's Combating Dead Sea Fraud?

¶16. Quite a few people/agencies have been combating Dead Sea fraud. To name a few: ICE Rome/Buffalo, FDNS Laguna Niguel/Phoenix, CBP Newark, DOL LA, DS and CA/FPP. There are a number of US- and overseas-based investigations; each one holds a piece of the larger puzzle, which we believe could usefully be pieced together via a Dead Sea conference, pending availability of funds. Collaboration among the interested agencies and offices is the most effective way to attack this hydra-headed problem.

Tel Aviv's Fraud Efforts and Consular Leadership

¶17. Tel Aviv has been trying very hard to improve detection of Dead Sea fraud at the visa window-this has not been easy as, on our end, the fraud is nebulous-many Israelis travel for a while after finishing the army as part of their national rite of passage. Yet, we do know that the Dead Sea industry specifically targets these young, post-army Israelis for recruitment.

¶18. Before detailing Tel Aviv's efforts, a brief word should be given on one of the Consular Leadership tenets:

Delegate Authority-but Not Responsibility

We give employees ownership over their work, issue clear and concise instructions, and provide coaching and further clarification if needed. We stand behind our people and take responsibility when mistakes are made or calculated risks don't work out.

¶19. One of post's leadership initiatives under this tenet includes the creation of a democratic, team-based system for managing its eight NIV ELOs. As part of this team-oriented ethos, the NIV Chief/FPM and ELOs regularly brainstorm problems with the goal of coming up with the best all-around solution(s) possible. This approach has yielded positive results in our efforts to combat and prevent Dead Sea fraud.

¶20. Brainstorming the known aspects of Dead Sea fraud led to:

-- ELOs' toughening of their guidelines for B1/B2 issuances to the post-army segment of Tel Aviv's applicant pool;

-- the addition of more detailed issuance notes to help CBP with their secondary interviews;

-- a new tracking system for these B1/B2 issuances by inquiring whether the applicant intends to work in the United States and, upon hearing "no", entering a standard phrase, "applicant says no intent to work illegally" in the NIV case notes (replicated to the CCD and easily searchable for validation/trend studies);

-- a temporary "insurance" exercise in which a tiny minority of visa recipients have their 10-year visas annotated, "First trip, visiting

family in XYZ, State" to discourage illegal work and to give CBP a heads up that the Israeli falls within the Dead Sea segment of the applicant pool;

-- institution of comprehensive interviews of Dead Sea-related DHS bond case Israelis regarding their work experience to obtain new information and insights; and,

-- to counteract the numerous rosy, promotional online videos recruiting Israelis, the decision to produce a short video in which several Israelis are interviewed about their negative experiences working in the Dead Sea industry.

¶21. Since the implementation of its fraud prevention efforts in October 2008, post's adjusted B1/B2 refusal rate for Israeli nationals has gone up from .87% for the October 1, 2007-January 31, 2008 time frame to 3.59% for October 1, 2008-January 31, 2009. Yet, there's only so much our line officers can do when "flying blind" in terms of determining which post-army Israelis are likely to work in the United States-quite a few of them have been extremely well coached. This frustrates them, for, in many cases, these Israelis are qualified for the B1/B2 in that they may be enrolled in top-notch universities, provide sufficient funds for the trip and are in stable employment situations in Israel. To illustrate: one Israeli who had been with the Israeli National Police for a while, resigned his job post-B1/B2 visa issuance to work at a kiosk; this Israeli was caught by CBP at POE.

¶22. Tel Aviv's FPM also has established strong working contacts with CBP at several POEs. This effort has truly benefited both parties; CBP has been notifying FPM via e-mail about Dead-Sea related turnarounds as they happen and FPM has been sharing information with CBP about the Dead Sea industry and visa applicants from its perspective. Upon receiving CBP's information, the FPM is able to immediately look up the turnaround's visa case and analyze how his/her visa was issued and glean useful details. Key to this mutual effort, from Tel Aviv's point of view, is the fact that CBP can "see" trends that we do not see here in Tel Aviv. We each have a small piece of the puzzle; putting the pieces together yields a larger picture. To put together as many pieces of the puzzle as possible, the FPM has been in regular contact with the above-mentioned agencies that have been investigating other aspects of Dead Sea fraud such as marriage fraud, possible money laundering, underpayment of kiosk workers, lawyers involved in filing fraudulent H2B petitions, etc. To date, there has been one conference call amongst Tel Aviv, ICE Rome, FDNS Laguna Niguel and DOL in Los Angeles.

¶23. On the more mundane, but no less important, side, the FPM has been using LexisNexis in conjunction with the CCD to research the Dead Sea industry. Through this ongoing process, the FPM maintains an up-to-date Excel worksheet on the companies involved in the Dead Sea industry; this worksheet has been shared with ICE/Rome, FDNS Laguna Niguel, FDNS Phoenix, ICE Buffalo, CBP officers at various POEs, and other State offices such as the ECA Compliance Unit, which handles J visa trainee programs. In addition, the FPM and the FPU have used this information to add numerous CCD watch phrases to help catch B1/B2 (and other visa categories) applicants who list "Dead Sea" connected phone numbers, contacts, addresses, and etc. on their DS-156s prior to their visa interviews.

¶24. Our ARSO-I also has been working closely with the FPM, ICE/Rome, and more uniquely, with an NEA analyst in DS/IGI/GR. This analyst, who visited Tel Aviv several months ago, has been researching core Dead Sea companies and charting them in such a way that we can visually see all the connections between the various corporate entities, U.S. addresses and key players. Making all this possible is a software program called: i2 Chart Reader. Tel Aviv has installed this software at all FPU computers as well as the ARSO-I's.

¶25. Tel Aviv FPU has submitted two validation study requests through FPP's new ADIS/ATS program. One focused on the 1,350 H2Bs Tel Aviv issued between June 1, 2007 and May 30, 2008. The other focused on 510 B2 and J cases that contained data known to be connected to the Dead Sea industry. Generally speaking, the validity studies' analysis has thus far uncovered overstays along with numerous extensions and changes of status while in the United States.

¶26. Tel Aviv is becoming increasingly concerned that the Dead Sea model is also being applied to the locksmith industry. Both share the same initial start-up geographical areas, CA, AZ and TX. There is also a presence in OH and MA.

¶27. Tel Aviv FPM looks forward to hearing from others who have been working on Dead Sea industry fraud and is willing to share information accordingly. Wendy Vincent can be reached via vincentwm@state.gov.

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